

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 8/19/2014	(3) CONTACT/PHONE Mark Hutchinson Deputy Director of Public Works (805) 781-5458	
(4) SUBJECT Submittal of a resolution declaring surplus and emergency drought relief water for Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District in the amount of 2,327 acre feet for Water Year 2014-15, and finding that the project is exempt from Section 21000 et seq., of the California Public Resources Code (CEQA). Districts 3 and 4.			
(5) RECOMMENDED ACTION It is recommended that the Board, acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District (District) adopt the attached resolution declaring surplus and emergency drought relief water for Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District in the amount of 2,327 acre feet for Water Year 2014-2015, and finding that the project is exempt from Section 21000 et seq., of the California Public Resources Code (CEQA).			
(6) FUNDING SOURCE(S) Zone 3	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ____) {X} Board Business (Time Est. <u>30 min.</u>)			
(11) EXECUTED DOCUMENTS {X} Resolutions { } Contracts { } Ordinances { } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A { } 4/5 Vote Required {X} N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY { } N/A Date: 03/08/11 #D-1	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) District 3, District 4			

Reference: 14AUG19-BB-1

County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works

Mark Hutchinson Deputy Director of Public Works

VIA: Dave Flynn, Interim Director of Public Works

DATE: 8/19/2014

SUBJECT: Submittal of a resolution declaring surplus and emergency drought relief water for Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District in the amount of 2,327 acre feet for Water Year 2014-15, and finding that the project is exempt from Section 21000 et seq., of the California Public Resources Code (CEQA). Districts 3 and 4.

RECOMMENDATION

It is recommended that the Board, acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District (District) adopt the attached resolution declaring surplus and emergency drought relief water for Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District in the amount of 2,327 acre feet for Water Year 2014-2015, and finding that the project is exempt from Section 21000 et seq., of the California Public Resources Code (CEQA).

DISCUSSION

Each year, the San Luis Obispo County Flood Control and Water Conservation District (District) declares the amount of available Surplus Water, if any, according to the water supply contracts for Zone 3 of the District. Determinations are made based on the Safe Yield¹ of Lopez Reservoir which is 8,730 acre feet per year. Zone 3 is the Lopez Water Project in the South County.

On March 8, 2011, your Board authorized the Director of Public Works to make the Surplus Water declarations each year. However, because your Board proclaimed a local drought emergency on March 11, 2014, decisions regarding water deliveries above regular contract Entitlement amounts from Lopez Reservoir are being brought to your Board for consideration.

¹ Safe yield describes the amount of water theoretically available at a given location in a watershed on an annual basis over the long term.

The water contractors are shown in Table 1 below (“Entitlements” reflect a subcontract for 96 acre feet from CSA 12 to Pismo Beach).

TABLE 1: ZONE 3 WATER PROJECT CONTRACTORS		
Contractor	Entitlement in Acre Feet/Year	% Share
City of Arroyo Grande	2,290	26
City of Pismo Beach	896	10
City of Grover Beach	800	9
Oceano Community Services District	303	3
County Service Area 12 (Avila & Avila Valley)	241	3
Sub Totals	4,530	52
Downstream Releases	4,200	48
Total (Safe Yield¹)	8,730	100

The Zone 3 water supply contracts describe Surplus Water as “*The portion of the Safe Yield¹ for Project water remaining after distributions of water during the said previous Water Year*” (Article 4 (D)). The declaration of Surplus Water does NOT mean that there is an amount of “excess” water in the reservoir; in short, Surplus Water is water that was not delivered during the prior Water Year to the Zone 3 Contractors or released downstream.

As shown in Table 2 below, the amount of Surplus Water available for the current (14/15) water year² is 501 acre feet³; 100 acre feet resulting from Entitlement water not delivered to County Service Area 12 during water year 2013-2014, and 401 acre feet resulting from reduced downstream deliveries during water year 2013-2014.

TABLE 2: ZONE 3 2014 SURPLUS WATER CALCULATION			
Contractor	Entitlement	Delivered*	Difference From Entitlement
Arroyo Grande	2,290	2,681	391
Oceano CSD	303	329	26
Grover Beach	800	816	16
Pismo Beach	896	1,311	415
CSA 12	241	141	(100)
Sub Totals	4,530	5,278	Amount above (below) entitlements: 748
Downstream Releases	4,200	3,799	(401)
Totals	8,730	9,077	Available Surplus Water (501)

* Note: Delivered amounts may include full entitlement plus previous year’s surplus water.

² The “Water Year” for Zone 3 (the Lopez Project) is from April 1st through March 31st.

³ One acre foot of water is equal to 325,851 gallons or enough water to cover one acre (43,560 square feet) one foot deep.

At the same time, when calculated over the last five Water Years, Lopez Reservoir has released downstream and delivered to subcontractors 2,327 acre feet less water than the Safe Yield over that same period, as shown in Table 3 below:

TABLE 3: FIVE YEAR DELIVERIES & DOWNSTREAM VS SAFE YIELD							
Contractor ► Water Year ▼	Arroyo Grande	Oceano CSD	Grover Beach	Pismo Beach	CSA 12	Municipal Totals	Down Stream
2009-10	2,276	303	805	896	140	4,420	3,505
2010-11	2,239	121	800	745	133	4,038	3,032
2011-12	2,554	157	963	1,225	137	5,036	3,348
2012-13	2,561	141	817	935	124	4,578	4,288
2013-14	2,681	329	816	1,311	141	5,278	3,799
Sub Totals	12,311	1,051	4,201	5,112	675	23,350	17,972
Over/(Under) Contract	861	(464)	201	632	(530)	700	(3,027)
Total Delivered vs Five Year Safe Yield						(2,327)	

On April 28, 2014, the Cities of Arroyo Grande, Grover Beach, and Pismo Beach, along with the Oceano Community Services District, released the Northern Cities Management Area 2013 Annual Monitoring Report. This report documents declining groundwater levels in the northern portion of the Santa Maria Groundwater Basin, out of which the three cities and the Community Services District draw approximately 15% of their water supplies. Groundwater also supplies numerous rural residences and the majority of the agricultural development in the lower Arroyo Grande Valley. Given the severity of the groundwater decline documented in the Monitoring Report, and the attendant risk of seawater intrusion, the recommendation includes delivery of additional stored water resulting from reduced downstream deliveries over the last five Water Years. Table 3 (above) shows that over the last five Water Years municipal deliveries total 700 acre feet over the contract amount for this period. At the same time, downstream releases total 3,027 acre feet of water below the total safe yield contribution for the last five Water Years leaving 2,327 acre feet still available. Of this amount 501 acre feet is this year's surplus water, leaving 1,826 acre feet in storage and recommended for municipal use.

There is no provision in the Zone 3 water contracts to deliver any such Project water (i.e. water other than Entitlement water, Surplus Water or downstream water). The contracts specify that Surplus Water that is not used in the year it is available "shall revert to the District and shall not thereafter be available" (Water contracts Article 4(D)). The contracts do not describe how the District may or may not use this water. Therefore, the recommendation to make this water now stored in Lopez Reservoir available to Zone 3 agencies as "emergency drought relief water" is based on the need to respond to the current drought emergency.

OTHER AGENCY INVOLVEMENT/IMPACT

The Zone 3 Advisory Committee⁴, at their May 15, 2014 meeting, approved a recommendation that the Board of Supervisors declare Surplus Water for Water Year 2014-2015 in an amount not less than 2,327 acre-feet, in recognition of the need to offset reduced State Water deliveries and groundwater pumping in the range of 750 to 1,696 acre-feet, respectively. The Advisory Committee vote was 6-1 with the Oceano CSD member the NO vote.

Attached to this Board letter is a July 3, 2014 letter to Dan Buckshi, County Administrative Officer, from Steve Adams, Arroyo Grande City Manager, Bob Perrault, Grover Beach City Manager, and Jim Lewis, Pismo Beach City Manager, reiterating their Cities' request for additional water deliveries from Lopez Reservoir.

The Advisory Committee also approved (6-0-1, Oceano abstaining) a recommendation that work proceed on the Low Reservoir Response Plan (LRRP), which functions as the Drought Contingency Plan for the operation of the Zone 3 system. The recommendation included establishing a protocol for the use of Surplus Water during drought conditions. In their letter of July 3, 2014 (attached), the City Managers of Pismo Beach, Arroyo Grande, and Grover Beach describe the timeline for the LRRP and a Water Shortage Contingency Plan. The recommendation to move forward with the Surplus and Emergency Drought Relief Water declaration is based, in part, on the ongoing efforts of the Zone 3 agencies to manage available water supplies for their communities. The time line for the LRRP is:

July 31, 2014	Low Reservoir Release Plan administrative draft prepared
August 7, 2014	Zone 3 Technical Advisory Committee review
Sept 18, 2014	Zone 3 Advisory Committee review/approval

Based on a September 18, 2014 date for a presentation of the LRRP to the Advisory Committee and a resulting recommendation to the Board of Supervisors, we anticipate returning to the Board to present the LRRP in late September or early October. In any event, we also anticipate returning to the Board in early December to review the status of the reservoir and implementation of the LRRP in light of the most current weather conditions and predictions.

County Counsel has reviewed and concurs with the recommendations in this Board letter. The Environmental Coordinator has reviewed the proposal and determined that the project is exempt from CEQA.

Application of Contract Provisions

From the recent discussions and correspondence from the Zone 3 agencies, there has been controversy surrounding this declaration, centering on the interpretation of contract language regarding how delivered water is accounted for. Prior to 2011, the "order" of accounting for water delivered to Zone 3 contractors was entitlement first, then surplus. At the end of the year, unused surplus reverted to the District, per the contracts, and remained in the reservoir. After the floods of December 2010, the accounting method was changed to surplus first, then entitlement. Left over

⁴ The Zone 3 Advisory Committee consists of representatives from the Cities of Arroyo Grande, Pismo Beach, and Grover Beach; the Oceano Community Services District; County Service Area 12; an Agricultural Representative; and a Member-at-Large.

water was unused entitlement, which by contract is counted as surplus for the following year. The result is that any amount of undelivered/unreleased water becomes, by contract, available to the Zone 3 agencies as surplus in the following year, as opposed to reverting to the District.

After detailed review of the contracts and past practices (prior to 2011), it is clear that the prior method of water accounting is correct. Nevertheless, and as noted in the City Manager's July 3 letter, discussions regarding potential contract changes to address surplus water accounting are ongoing.

FINANCIAL CONSIDERATIONS

The water supply contracts for Zone 3 are described as "take-or-pay", meaning essentially that all of the costs of the system are paid for by the Zone 3 agencies, at percentages based on the amount of Entitlement water in their respective contracts, plus their distance down the delivery system. The contracts provide that Surplus Water be offered at the cost of treatment and delivery (not including capital costs of the system), which is currently in the range of \$50 per acre foot. However, all revenues from the sale of Surplus Water are applied as a credit to the Zone 3 agencies, per the water contracts. As result, when all of the agencies agree to "take" all of their entire share of surplus, the costs to each agency are equal to the revenue credited back to the agency. Put another way, all of the costs of operating the Zone 3 system are covered by the payments for Entitlement water; therefore, there is no additional charge for Surplus water

RESULTS

Adoption of the resolution will provide water to Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District in amounts necessary to mitigate a potential water supply emergency and protect the groundwater basin from seawater intrusion, leading to a safe, healthy, and well-governed community.

File: CF 340.101.01

Reference: 14AUG19-BB1

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ATTACHMENTS

1. Notice of Exemption pursuant to Section 21000 et seq., of the California Public Resources Code (CEQA)
2. Resolution No. 2014-64 of the San Luis Obispo County Board of Supervisors Proclaiming a Local Emergency
3. April 28, 2014 Northern Cities Management Area 2013 Annual Report
4. July 3, 2014 letter to Dan Buckshi, County Administrative Officer, from Steve Adams, Arroyo Grande City Manager, Bob Perrault, Grover Beach City Manager, and Jim Lewis, Pismo Beach City Manager
5. Resolution Declaring Surplus and Emergency Drought Relief Water for Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District in the Amount of 2,327 Acre Feet for Water Year 2014-2015, and Finding that the project is Exempt from Section 21000 et seq., of the California Public Resources Code (CEQA)